Residence in Switzerland: the two regimes

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Ordinary taxation in Zug

A founder who takes up residence in the canton of Zug and is taxed in the ordinary way pays federal, cantonal and communal income tax on worldwide income and cantonal and communal wealth tax on worldwide net wealth. Zug's combined top income tax rate sits at roughly 22 to 23 per cent depending on the commune, the lowest of any Swiss canton for high earners. Its wealth tax is in the order of 0.1 to 0.3 per cent of net wealth once the allowances are exhausted.[1]

The central attraction is Art. 16 para. 3 of the Direct Federal Tax Act (DFTA; DBG), which exempts capital gains on the disposal of private assets from income tax.[2] The cantonal harmonisation law contains the parallel rule, so the exemption applies at all three levels.[3] A founder who holds tokens as private wealth and sells them after the lock-up therefore pays no income tax on the appreciation. The counterweights are two. Wealth tax is levied every year on the market value of the position at 31 December, which for a large illiquid founder allocation can produce a cash tax bill before any token has been sold. And the exemption is lost if the tax administration classifies the founder as a professional trader, in which case the gains are business income and subject to income tax and social security contributions.[4]

The professional-trader risk deserves emphasis because founders routinely misjudge it. The safe-harbour criteria of Circular No. 36 (holding period of at least six months, turnover below five times the opening portfolio, gains below half of net income, no debt financing, no derivatives beyond hedging) were written for equities. A founder who market-makes in their own token, who provides liquidity to a decentralised pool or who rebalances a treasury weekly will fail several criteria at once. The classification is made for each tax period, so a quiet year does not cure an active one. Part G, Chapter II, covers the crypto-specific indicators. For present purposes the structuring point is that a founder who intends to be an active trader after relocation should build that assumption into the arithmetic, because the headline exemption will not apply to them.

Expenditure-based taxation

Art. 14 DFTA allows a natural person to be taxed on the basis of annual living expenses instead of actual income and wealth. Three conditions apply: the person is not a Swiss citizen, becomes resident in Switzerland for the first time or after an absence of at least ten years, and does not pursue gainful activity in Switzerland.[5] For married persons, both spouses must satisfy the conditions. The taxable base is the highest of four amounts. These are the actual worldwide living expenses, a statutory

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minimum which for the federal tax now stands at CHF 429,100 after indexation, seven times the annual rent or rental value of the home, and the result of a control calculation that aggregates Swiss-source income with treaty-relieved foreign income.[6] Cantons that offer the regime set their own minimum, which may be higher. Zug offers the regime, Zürich abolished it by popular vote in 2009, and several other cantons followed Zürich.[7]

For a crypto founder, the regime is attractive on paper and awkward in practice. The attraction is that the size of the token position and the gains realised on it abroad are irrelevant, because the tax is computed on the expenditure base. At Zug rates a base of CHF 500,000 to CHF 700,000 produces an annual tax bill in the low six figures whether the founder sells CHF 2 million or CHF 50 million of tokens that year. The awkwardness lies in the prohibition of gainful activity in Switzerland. A founder who continues to work on the protocol, who serves on the board of the Zug foundation or who manages the Zug operating company from a desk in Baar is gainfully active in Switzerland. The lump-sum regime is then forfeited for that tax period.[8] Administering one's own private wealth is permitted. Managing a protocol is work.

The usual answers to this tension are three. Some founders accept ordinary taxation and rely on the private capital gains exemption, which for a founder whose income is almost entirely future token appreciation is often the better outcome anyway. Some founders take the lump-sum and confine their Swiss activity to the passive role of a token holder, with the operating company run by others from Singapore or elsewhere. And some structure a hybrid in which the lump-sum is taken for the first years, when the founder's role has already become passive after a successful exit, and ordinary taxation follows when they take up a new venture. What does not work is to take the lump-sum and keep working quietly. The Zug tax administration knows the sector, reads the protocol's governance forum and will ask who the signers of the foundation's multisig are.

Client question

"I am a German national, I have never lived in Switzerland, my token allocation is worth about CHF 30 million and vests over three years. Can I take the Zug lump-sum and keep running the project?"

You can take the lump-sum only if you stop working on the project from Swiss soil, including board seats and treasury signing. If your role is to remain operational, you should plan for ordinary taxation and build your case for private-wealth status. Hold the allocation in a wallet you do not trade from, sell in a few large tranches at long intervals, do not borrow against the position and keep any market-making in a company. On those facts, the vesting tranches may still be employment income when they are released (see Part G, Chapter IV), but the subsequent appreciation is a tax-free private capital gain. The lump-sum becomes interesting again after your exit, when your only connection with the project is the tokens you hold.

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Notes

1. Canton of Zug, Steuergesetz (BGS 632.1), §§ 35 ff. and 42 ff.; rates for the 2026 tax period as published by the Zug cantonal tax administration. Part G, Chapter I, sets out the rate tables.
2. Federal Act on Direct Federal Taxation of 14 December 1990 (DFTA; DBG), SR 642.11, Art. 16 para. 3: "Die Kapitalgewinne aus der Veräusserung von Privatvermögen sind steuerfrei."
3. Federal Act on the Harmonisation of Direct Taxation at Cantonal and Communal Levels of 14 December 1990 (THA; StHG), SR 642.14, Art. 7 para. 4 lit. b.
4. Swiss Federal Tax Administration, Circular No. 36 of 27 July 2012, "Gewerbsmässiger Wertschriftenhandel"; FTA working paper "Kryptowährungen und Initial Coin/Token Offerings (ICOs/ITOs) als Gegenstand der Vermögens-, Einkommens- und Gewinnsteuer, der Verrechnungssteuer und der Stempelabgaben", most recent edition. Part G, Chapter II, analyses the safe-harbour criteria in detail.
5. DFTA, SR 642.11, Art. 14 paras 1 and 2; Swiss Federal Tax Administration, Circular No. 44 of 24 July 2018, "Besteuerung nach dem Aufwand bei der direkten Bundessteuer", sections 2 and 3.
6. DFTA, SR 642.11, Art. 14 para. 3 lit. a to d (status 1 January 2025: minimum base of CHF 429,100); FTA Circular No. 44 of 24 July 2018, section 3.
7. THA, SR 642.14, Art. 6; Canton of Zug, Steuergesetz (BGS 632.1), § 13. Part G, Chapter VI, lists the cantons that retain the regime and their minimum bases.
8. FTA Circular No. 44 of 24 July 2018, section 2.3 (any gainful activity in Switzerland, including a board mandate exercised in Switzerland, excludes the regime).

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